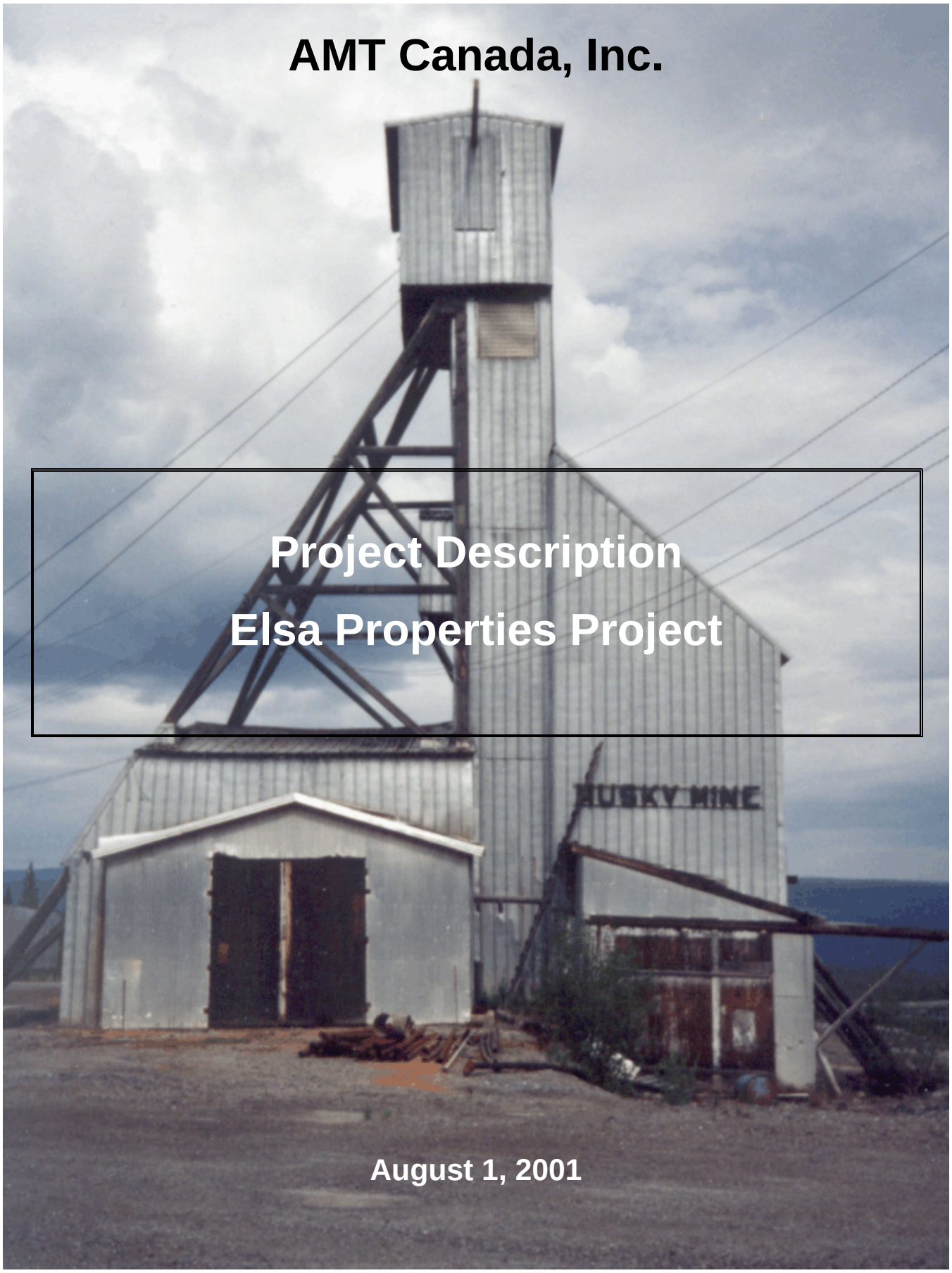
AMT Canada, Inc.



Project Description
Elsa Properties Project

August 1, 2001

Executive Summary

AMT Canada, Inc. ("AMT") proposes to bring the currently abandoned Elsa Mine properties back into production. Historically, the Elsa camp has produced over 214 million ounces of silver. AMT believes the project fits the corporate goals and objectives of the Company as well as complements AMT development and operating experiences elsewhere. AMT also believes the project could be a profitable venture in the Yukon. The Court imposed sale of the property provides the opportunity for an attractive purchase cost, which, in our belief, is the only way in which these former producers will resume production. AMT is aware of the dismal economic situation in the Yukon, and expects its employment, purchasing and other economic impact to be welcomed. Owing to the nearly complete lack of environmental cleanup over several decades, however the environmental issues will require some research, and skillful application of accepted techniques and technology, along with a spirit of cooperation from the regulatory authorities.

AMT has had the opportunity to begin to familiarize themselves with the property, and its long history. AMT plans to undertake small scale, open pit mining on the Silver King Mine, and up to 3 additional mines on Keno Hill itself, with the appropriate approvals under the Mining Land Use Regulations ("MLUR"). This mining will create a source of cash flow, while advancing the Water Licence application for more comprehensive operations involving the use of water. Other near term plans include assessing the existing mill complex, and clean up of the site and preparation for future mill and site operations. Proper management of the Valley Tailings Facility ("VTF") is also a critical issue in the near future. As well, systematic sampling of the VTF will be undertaken in order to assess the economic potential. AMT will also analyze wetland treatment options for the Elsa Properties.

Longer term plans for the Elsa Properties include underground development and production from the Bellekeno and Silver King Mines. Open pit development on other areas on the property will also be pursued. The ore processing site will be determined, and depending upon results from the sampling program of the VTF in the near term, reprocessing of the VTF may take place.

AMT will immediately begin the process of securing a water licence once the purchase transaction has been concluded.

Key issues that remain to be resolved include:

- At present, the existing UKHM licence has not been assigned to our Company, and AMT does not expect to be held to terms and conditions of the licence in the interim.
- AMT does not plan to treat the water from the Silver King Mine, as this water does not flow directly into surface waters. By the time it may reach surface waters indirectly, it is believed that it will no longer be considered a waste under the meaning of the Yukon Waters Act and regulations.
- AMT plans to allow the Bellekeno Mine to flood, a process that we understand will take several months to complete before any water is discharged from the adit.
- AMT is only interested in acquiring properties that represent a potential for economic return. It is our understanding that the old Galkeno 900 and Galkeno 300 Mines represent the potential for significant environmental liability and ongoing cost, without the prospect of any economic return.
- Water balance issue in the Valley Tailings Facility.

AMT has requested that it be allowed to enter into ownership of the property, occupy the site, undertake new operations subject to terms and conditions of all pertinent legislation and regulations, and proceed towards appropriately licensed, full scale mining operations.

AMT believes that its request is reasonable, is supported by established departmental policy and experience, and is well within the bounds of DIAND's legislative mandate. AMT is in the process of seeking Departmental assurance that reasonableness, fairness, and a spirit of cooperation to guide its approach to our company and its efforts to restart the Elsa Mines.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF APPENDICES

1.0 CORPORATE PROFILE - ADVANCED MINERAL TECHNOLOGY, INC.

Advanced Mineral Technology, Inc. is an Idaho Corporation that was formed 25 years ago by metallurgical engineer H. Philip Cash to manage the exploration, evaluation, development and production of mineral projects. The directors and officers of the Company (H. Philip Cash, Richard L. Schmittel, P.E. and Cletius G. Rogers) are mining engineers with over 100 years of combined experience in the mining industry. Over its 25 year history, the Company and its subsidiaries have developed and operated numerous mining operations in Idaho, California, Montana, Argentina, British Columbia, as well as placer operations near Dawson City in the Yukon. The Company received a letter of recommendation from DIAND mining inspectors, which recognized successful voluntary work to conduct stream channel restoration that was outstanding from a previous operator (see Appendix 1).

In 1999, Advanced Mineral Technology, Inc., a Nevada Corporation, was formed to develop and exploit a license to use a recently developed proprietary gravity mineral separation device named the Eagle Concentrator. The Eagle Concentrator is a relatively simple piece of equipment that uses centrifugal force (through revolutions of the concentrating barrel) to accentuate the difference in specific gravity of separate particles of minerals which allows recovery of saleable metal products. Adjustments are made to the flow of water, revolutions per minute of the machine, and other fine tuning measures to obtain optimum gravity separation. Through continuous flow operation, the Eagle Concentrator is capable of processing 75 -100 tons per hour of unconsolidated material.

Since 1999, the Company has acquired a large silica sand deposit in northern California that is currently in the process of obtaining production permits. A reclamation plan is required as part of the application for the production permit in California. The Company received recognition from the State of California for the reclamation plan submitted for their project, as being one of the “most complete” decommissioning and reclamation plans received.

The Company originally became interested in the former United Keno Hill Mines Limited (UKHM) properties when they learned the company was in receivership, and that the Canadian Government was having to spend substantial amounts of money on the property for environmental remediation. Advanced Mineral Techonology, Inc. has formed a Canadian subsidiary, AMT Canada, Inc. (“AMT”), a Yukon registered company, to pursue the development of the Elsa properties.

2.0 PROJECT SCOPE

AMT proposes to bring the currently abandoned Elsa mine site into production. Preliminary indications are that the properties afford the potential for economically feasible, full scale production within the next two to three years. AMT's due diligence to date will be "ground-truthed" in a systematic evaluation of the open pit and underground potential at the Elsa Properties (former UKHM property). As well, the potential for economic recovery of silver and other base and precious metals contained in the tailings at the property will be evaluated, with the intention of using the Eagle Concentrator as a primary recovery process. AMT will acquire the appropriate permits required to undertake the project, and will eventually employ up to 100 people.

3.0 PROJECT OVERVIEW

3.1 LOCATION AND ACCESS

The properties are located in the central Yukon Territory, approximately 350 km due north of Whitehorse in the vicinity of the villages of Elsa and Keno City.

Access to the property is by a two-lane paved road from Whitehorse to Mayo, and an all weather gravel road running 45 km northeast from Mayo. Whitehorse, the capital of the Yukon Territory, is connected to southern Canada by the Alaska Highway. The tidewater ports of Skagway and Haines, Alaska, are both accessible by road from Whitehorse. There is daily air service between Whitehorse and Vancouver.

3.2 PROPERTY DESCRIPTION

The properties that comprise the package being offered by the creditors of UKHM include 674 mining leases, 185 annual renewal mineral claims, two patented mineral claims, and ownership interests in two mining leases which cover more than 26,000 acres in a roughly east-west belt about 26 km long and up to 8 km wide. Numerous buildings and structures, and some machinery and equipment, are also included with the property.

3.3 PROCESSING AND ANCILLARY FACILITIES AT ELSA

Watts, Griffis and McQuat (2000) describe the processing and ancillary facilities at Elsa as follows:

> "A 500-ton per day concentrator, including crushing, grinding, flotation, thickening and filtering facilities, are located on the properties at the town of Elsa.
>
> Also on the properties are warehouses, maintenance shops for mining and heavy equipment, an assay laboratory, a "mine dry", core and sample storage facilities and exploration, geology, engineering and administration offices. Other facilities include single family dwellings, apartment buildings and bunkhouses, recreational and dining facilities, and a first aid clinic.
>
> Fresh water for the facilities has been provided from a nearby lake. Power is supplied by Yukon Energy Corporation's 5 megawatt hydro-electric facility 40 km to the south of Elsa. Standby power is available from a diesel generating plant."

3.4 HISTORY OF WORK

The history of work on the Elsa Properties was documented by Watts, Griffis and McQuat (2000) as follows:

> "Silver was first discovered on the Elsa Properties at Galena Creek in 1906, at the site of the present day Silver King Mine. Silver production from the camp began in 1914. The total reported production in the 87 intervening years is about 5,342,000 tons of ore at an historic camp grade of 40 oz Ag/t, 6.6%Pb and 4.1% Zn. The Elsa mining camp ranks as one of the richest and most productive silver camps in North America. More than 160 km of known vein strike length have been identified within which some 65 deposits and prospects have been found. Thirty-four of these deposits have a documented history of production.
>
> UKHM was formed by Conwest interests in 1945 to acquire the former Treadwell-Yukon properties. In 1947, UKHM began production at the Elsa Properties. Since then, 149 million ounces of silver from 4.6 million tons of ore have been recovered. During the 1950s, the Hector-Calumet and Elsa Mines were the main producers.
>
> In the early 1960s Falconbridge Nickel Mines Ltd. acquired control of UKHM by purchasing Conwest's controlling block of shares. Under Falconbridge, there was a steady decline in profits, except for a period of anomalously high silver prices that prevailed in the late 1970s and early 1980s."

In early 1989, commercial production was suspended due to falling silver prices, chronic production shortfalls and high production costs. The management acquired control of UKHM from Falconbridge in July 1990. Attempts to restart production by the new UKHM were unsuccessful, due principally to a lack of success in raising the required funding. Historically, a total of 6.6 million kg (214 million ounces) of silver were produced from the Elsa camp.

3.5 MINERAL INVENTORY

A resource estimate for the Elsa properties as of July 31, 1996 was prepared by UKHM. The mineral resources for underground and open pit deposits are shown in Table 1. Table 2 indicates that of the combined Measured and Indicated Resources, UKHM estimated that approximately 404,000 tons grading 33.64 g Ag/ton, 7.44% Pb and 6.64% Zn were classified as Proven and Probable Reserves.

3.6 EXPLORATION POTENTIAL

Watts, Griffis and McQuat (WGM) evaluated the exploration potential of the properties in 1993. WGM concluded that Elsa was a long established but under-explored mining camp where the limits of the geological potential had not been tested by exploration work to date. Subsequent exploration and development work in 1994 and 1995 confirmed WGM's original assessment. The work carried out by WGM indicated that the resource base could be increased and that modern ground support methods such as shotcrete could be used effectively for ground support and lower cost mining methods are viable.

3.7 MINING

The Elsa Properties Mines have historically been high grade, high cost producers. Square set open stoping was frequently utilized to ensure adequate ground support, in the earlier workings on the property. This mining method was labour intensive and consumed a great deal of timber. UKHM in the 1990s completed a plan for mining methodology, mining methods and ore/waste schedules which allows for the use of Shrinkage Stoping and Overhand Cut and Fill. It was believed this methodology would result in lower operating costs and more efficient production.

Table 1
Elsa Properties Mineral Resources
(as of July 31, 1996)

Mine	Measured				Indicated				Inferred			
	Tons	Ag (oz/t)	Pb (%)	Zn (%)	Tons	Ag (oz/t)	Pb (%)	Zn (%)	Tons	Ag (oz/t)	Pb (%)	Zn (%)
Underground Mines												
Bellekeno	8,000	45.85	10.04	4.11	246,000	35.56	11.36	8.22	89,000	29.33	11.27	10.39
Bermingham	-	-	-	-	14,000	33.03	0.00	0.00	-	-	-	-
Husky Main	4,000	43.86	3.75	0.00	42,000	43.35	0.00	0.00	16,000	47.86	0.00	0.00
Husky SW	6,000	27.05	0.69	0.00	61,000	31.33	0.78	0.00	23,000	23.46	0.00	0.00
Keno 700	13,000	32.59	0.00	0.00	44,000	32.72	0.66	0.00	12,000	26.53	0.00	0.00
No Cash	1,000	33.01	5.25	0.00	7,000	25.91	4.53	0.00	1,000	35.38	7.10	0.00
Onek	7,000	7.90	2.77	14.70	43,000	11.99	3.95	16.83	36,000	14.24	5.96	16.21
Porcupine	3,000	28.19	0.00	0.00	9,000	31.29	0.00	0.00	2,000	38.50	0.00	0.00
Ruby	500	19.80	1.72	1.17	26,000	23.26	0.51	0.45	6,000	25.70	0.87	0.54
Silver King	2,000	73.49	5.03	0.00	71,000	39.25	1.70	0.25	24,000	43.62	0.20	0.00
Total	**45,500**	**33.24**	**3.06**	**2.89**	**562,000**	**33.31**	**5.71**	**4.94**	**209,000**	**28.94**	**5.92**	**7.28**
Open Pit Mines												
Elsa 208	-	-	-	-	12,000	14.54	0.00	0.00	-	-	-	-
Flame and Moth	-	-	-	-	17,000	19.12	1.39	6.41	-	-	-	-
Hector	-	-	-	-	2,000	20.01	3.60	0.00	-	-	-	-
Keno 3-9	-	-	-	-	29,000	17.54	3.60	0.18	-	-	-	-
Keno 18	-	-	-	-	14,000	20.86	4.97	0.00	-	-	-	-
Onek	-	-	-	-	20,000	12.38	4.59	0.00	-	-	-	-
Shamrock "K"	-	-	-	-	12,000	21.68	7.89	0.00	-	-	-	-
Silver King	-	-	-	-	1,000	19.21	3.33	0.00	-	-	-	-
Townsite	-	-	-	-	33,000	12.65	1.48	0.27	-	-	-	-
Total	**-**	**-**	**-**	**-**	**140,000**	**16.35**	**3.19**	**0.87**	**-**	**-**	**-**	**-**

(After Rescan Engineering Ltd., 1996)

Table 2
UKHM Elsa Properties Reserves
(as of July 31, 1996)

Mine	Proven				Probable			
	Tons	Ag (oz/t)	Pb (%)	Zn (%)	Tons	Ag (oz/t)	Pb (%)	Zn (%)
Bellekeno	8,000	45.85	10.04	4.11	221,000	35.59	12.05	8.80
Husky Main	-	-	-	-	36,000	44.04	0.00	0.00
Husky SW	6,000	27.05	0.69	0.00	61,000	31.33	0.78	0.00
Onek	7,000	6.71	2.35	12.49	43,000	10.19	3.36	14.30
Silver King	2,000	73.49	5.03	0.00	20,000	52.09	1.59	0.06
TOTAL	**23,000**	**32.56**	**4.95**	**4.98**	**381,000**	**33.70**	**7.59**	**6.74**

(After Rescan Engineering Ltd., 1996)

Based on limited new exploration work, UKHM updated its estimate of the reserves and resources in September 1996 and March 1997.

4.0 CURRENT STATUS

4.1 BACKGROUND PROPERTY STATUS

In September 1993, UKHM retained engineers to undertake a complete review of its Elsa area properties, geological reserves and mine plans. A type B Water Licence was acquired to dewater two adits for a reserve development program. Concurrent to that, a type A Water licence was obtained for the non-commercial exploratory program and testing of the mill (the size of the tailings pond exceeded the threshold for a type B licence). Security for this licence was $100,000. Following underground drilling, a feasibility study was completed on the property in 1996. At this same time the company submitted an application for a Type A Water Licence for Mine Reopening. The company application included detailed site characterization documents as well as a closure plan for current conditions at the site. Water Licence QZ96-001 was issued on January 26, 1998. Security for the property was to be a maximum of $18,500,000 (in 1997 Canadian dollars). The security involved an initial payment up front, followed by a per-ton levy (scaled to silver price) for each ton of ore that was to be processed through the mill. Two hundred and fifty thousand Canadian dollars ($250,000) was to be paid within 30 days of the effective date of the Water Licence. The per-ton levy for each ton of ore that was to be processed through the mill, was calculated as follows:

1. A base of $5.00 (Canadian dollars) per ton for each ton; and
2. An additional $0.01 (Canadian) per ton, for each US $0.01 increase, per ounce, in the average silver price above US$5.50, when the average silver price for that quarter was above US$5.50 per ounce;
3. An additional $0.02 (Canadian) per ton, for each US $0.01 increase, per ounce, in the average silver price above US$5.50, when the average silver price for that quarter was above US$6.00 per ounce;
4. An additional $0.03 (Canadian) per ton, for each US $0.01 increase, per ounce, in the average silver price above US$5.50, when the average silver price for that quarter was above $7.00 per ounce;
5. An additional $0.04 (Canadian) per ton, for each US $0.01 increase, per ounce, in the average silver price above US$5.50, when the average silver price for that quarter was above $8.00 per ounce;

6. An additional $0.05 (Canadian) per ton, for each US $0.01 increase, per ounce, in the average silver price above US$5.50, when the average silver price for that quarter was above $9.00 per ounce;

The purpose of the security, as stated in the licence, was to assure mine site reclamation, including long-term treatment of water flowing from the tailings and mine openings. Terms and conditions of the water licence included detailed monitoring programs.

UKHM paid its $250,000 deposit, yet due to the inability to raise money, no ore was processed through the mill, and no additional money put into the security fund.

In February 1999 Yukon based creditors of UKHM banded together to coordinate their collection actions regarding amounts owed by UKHM. Discussions with the UKHM were not productive so in September of 1999 the creditors received a judgement from the Yukon Supreme Court to sell the mine. In December of 1999, a further Order of the Court released Watts, Griffis and McQuat from their confidentiality agreement with UKHM, thereby making technical data available for review by parties interested in the UKHM properties. In early February 2000 the creditors filed a motion to approve a marketing plan for sale of the Assets, which was approved by the court with the condition that bids on the property could be received until March 31, 2000.

In response to the activities of the Creditors Committee UKHM commenced proceedings for creditor protection under the Companies' Creditors Arrangement Act (CCAA) in Ontario. In mid February 2000 UKHM was granted a stay of all proceedings pursuant to the CCAA, pending further order of the Ontario Court. The Initial Stay Order was amended and extended on March 31, 2000, such that UKHM would continue their efforts to refinance their operations. At the same time the court endorsed the appointment of a marketing agent to offer the business and/or assets of UKHM for sale. The marketing process carried out by Corinth Capital Inc. was unsuccessful in bringing forward a firm offer to purchase the assets. In fall of 2000 UKHM put forth a Plan Of Arrangement to restructure their affairs. This was subject to UKHM paying into court $6.5 million dollars before December 13, 2000. These funds did not materialize. The CCAA Proceedings were terminated on March 13,2001 resulting in future actions being directed by Yukon courts.

After the termination of the sale process under the CCAA Proceedings, the two corporations which had expressed interest in purchasing the Assets were contacted again to determine whether either would be interested in negotiating the purchase of the Assets outside of the CCAA proceedings. One corporation was not interested, the other was interested but requested unacceptable conditions.

In January 2001 the Creditors were granted the right to initiate the marketing process again. Discussions were held between the President of the Nacho Nyak Dun Development Corporation and the UKHM Creditors Committee which resulted in granting the First Nation the rights as an agent to market the assets of UKHM to industry interests. Discussions and negotiations were undertaken by the Nacho Nyak Dun with various mining companies.

In February of 2001, AMT expressed an interest in purchasing the Assets. By this time, Nacho Nyak Dun and the Creditors were well advanced in negotiations with another company. In April 2001, the Yukon Court ordered that any party wishing to purchase the Assets should submit a sealed bid to the Clerk of the Court by May 3, 2001. AMT's bid was accepted May 11, 2001, at which point the 60 day due diligence period began. AMT requested an extension prior to July 11, 2001, indicating that they had not received the actual court documents for three weeks. An extension was granted until July 27, 2001. whereupon the Yukon Supreme Court granted AMT another extension of 4 weeks.

In February of 2000 the Federal Crown laid charges under the Yukon Waters Act, as UKHM had been in non-compliance many times. In April of 2000, UKHM was found guilty of 7 counts under the provisions of Section 40(2) of the Yukon Waters Act, and was fined $51,000. The company was given until September 30, 2000 to be in compliance. Between September 30, 2000 and January 9, 2001, the company was still out of compliance, and then ceased effluent treatment on January 9, 2001. On January 19, 2001 DIAND determined UKHM to have abandoned its properties due to lack of response to regulators, and the Water Licence Security of $250,000 was seized. DIAND retained Access Mining Consultants Ltd. (AMCL) of Whitehorse to re-establish water treatment systems and maintain compliant discharge through the lime addition to mine effluent waters at Silver King, Galkeno 900, Bellekeno and the Valley Tailings Facility. AMCL engaged the services of all of the on-site mine employees to undertake the water treatment. At present, DIAND has retained the Nacho Nyak Dun Development Corporation to continue the water treatment

4.2 CURRENT OPERATIONS/WATER TREATMENT

In general, the treatment process involves continual lime addition to mine portal effluent water at Silver King, Galkeno 900 and Bellekeno in order to reduce zinc effluent concentrations to less than 0.50 mg/l, as required under Water Licence QZ96-001. Valley Tailings also require similar treatment over the spring freshet period that extends from May through June. Individual portal treatment sites are equipped with a 2500 liter tank with attached circulating pump that dispenses a constant flow of lime slurry to mine effluent water. The treated effluent is then diverted through primary and secondary settling ponds before it is discharged to the environment. The water quality compliance point at Silver King is the secondary pond decant.

However, due to stability and seepage problems with secondary ponds at Galkeno 900 and Bellekeno, compliance points are currently placed at the primary decant. During winter months heat trace and electric heaters are in continual use at all portals to prevent ice plug development and facilitate a steady effluent flow for treatment. Lime sludge removal from settling ponds, using an excavator and suction pump, is also required at least twice a year (May and October) to maintain cost effective and compliant treatment systems.

Below is a brief summary of current conditions and results at each treatment site.

Silver King: The treatment system at Silver King is operating well and has been the easiest site to keep in compliance, due largely to an operational secondary settling pond providing longer residency time for zinc and lime precipitation. Portal water flows are estimated at 3 litres/sec with average pH and Zinc levels of 7.5 and 1.3 mg/l respectively. The current optimum lime slurry flow rate is 22 ml/sec. Average secondary decant pH and zinc concentrations, since initial compliance on February 3, 2001 are 8.5 and 0.13 mg/l respectively. A compliant zinc discharge is consistently achieved by a modest increase in portal effluent pH from 7.5 to 8.

Galkeno 900: The Galkeno treatment system currently consumes the most lime to maintain consistent compliance due to the higher zinc concentrations of mine effluent at the portal and lack of sufficient settling pond capacity. The compliance point for the treatment system at Galkeno 900 is currently at the primary decant due to stability concerns, raised by DIAND, with the secondary pond. Due to lime sludge build up and the lack of residency time in the primary pond, a compliant Zn discharge with a pH less than 9.5 has been more difficult to maintain than

Silver King. Lime particulates are common in primary decant samples. Re-establishment of secondary pond treatment should be done as soon as possible as increased residency time will undoubtedly achieve compliance on a more consistent basis and reduce lime consumption. Portal water flow is estimated at 2.5 litres/sec with average pH and zinc levels of 7.2 and 9 mg/l respectively. The current, optimum lime slurry flow rate is 25 ml/sec. Average primary decant pH and zinc concentrations, since initial compliance on February 4, 2001 are 9.4 and 0.27 ppm respectively.

Bellekeno: Although Bellekeno uses the least amount of lime, it remains the most difficult of the three treatment sites to maintain compliant discharge, due primarily from intermittent mine effluent flow and insufficient settling pond capacity. The majority of portal effluent at Bellekeno is derived from dewatering underground mine workings at the 850 level. The pump cycle is approximately 10 minutes every hour at a flow rate of approximately 2 litres/sec with pH and zinc concentrations of 7.5 and 2 mg/l respectively. Mine water effluent also flows from the portal at 0.5 litres/sec at a current pH of 7.9 and zinc concentration of 1.8 mg/l. Seepage from the secondary pond has prevented decanting and as a result the compliant discharge point has been the primary pond decant since treatment was initiated on February 6, 2001. Seepage was evident down slope from the secondary pond in early February, returning a pH of 8 and zinc concentration of 5.05 mg/l, but since then has subsequently disappeared. Similar to Galkeno 900, lime sludge build up and lack of residency time in the primary pond has created difficulties in maintaining a complaint zinc discharge with a pH of less than 9.5. After lime sludge removal, ponds should be lined with bentonite (available on site) so that secondary pond treatment can be re-established. Optimum lime slurry flow rates are currently 18 ml/sec. Average primary decant pH and zinc concentrations, since initial compliance on February 10th are 9.4 and 0.34 mg/l respectively.

Discussion

AMT recognizes that the above treatment process is capable of maintaining the 4 sites in compliance with QZ96-001. However, AMT is concerned, in their review of the property, and the above treatment process that DIAND is monitoring only 2 of 10 parameters, outlined in the water licence (pH and Zn). As well, it has come to our attention that only 4 of 11 effluent monitoring stations are being treated by DIAND. We understand that none of the 12 receiving water or 5 old mine workings monitoring stations are being monitored. The cost of monitoring

the 3 sites discussed above, and the Valley Tailings during the spring freshet is approximately $100,000 per month.

AMT is concerned that there are other areas on the property that may require treatment. AMT is also aware that a significant discharge of effluent is occurring from the old Galkeno 300 adit (approximately 20-25 liters/second flow, at approximately 290 ppm zinc). Although recent sampling by Access Mining Consultants Ltd. personnel indicates that the soils and vegetation down slope from the adit appear to attenuate zinc levels dramatically, effluent in the range of 3 to 4 ppm zinc is reaching Christal Creek. As DIAND's intentions with respect to enforcement actions for the Galkeno 300 discharge are not known to AMT at present, this situation is a cause for concern.

The present water treatment process, compared to the water treatment process outlined in the UKHM Water Licence is of concern to AMT, as there is additional uncertainty as to what the expectations of monitoring/compliance/treatment are for AMT from DIAND.

AMT is in the process of seeking clarification from DIAND with regard to the above, and has signified its intent to work with the Department to address these concerns on the property once the Company is in possession of the properties.

5.0 AMT CANADA PROPOSED PLANS FOR THE ELSA PROPERTIES

It is important to recognize that the schedule and timing of AMT's plans for the Elsa Properties are contingent upon three factors, which are not all in AMT's control:

- commodity prices, in particular Silver;
- regulatory approval and permits required under the Yukon Quartz Mining Act *Mining Land Use Regulations* (MLUR) and the Yukon Waters Act (YWA), along with other approvals that may be necessary;
- refinement of understanding based upon on-site, operational experience.

The schedule and timing of AMT's "near term" and "long term" proposed plans as outlined in the following text, are subject variation in accordance with influence form the above factors.

5.1 NEAR TERM

At present, AMT's near term plan for the Elsa Properties include:

1. Small Scale Mining Operations
2. Existing Mill Site Assessment and Clean Up
3. Management of the Valley Tailings Facility
4. Tailings Sampling Program
5. Wetland treatment Analysis

1. Small Scale Mining Operations:

As discussed in the project overview, there are numerous mines on the Elsa Properties. AMT proposes to undertake small scale, open pit mining on the Silver King Mine, and up to 3 additional mines on Keno Hill itself. It is AMT's understanding that small-scale mining can be undertaken with appropriate approvals (most likely Class IV operation) under the MLUR.

The detailed proposal for the small scale mining will be presented in the application for the MLUR approval. The objective of initiating small scale, open pit mining and dry processing is to create a source of cash flow, while advancing the Water Licence application for more comprehensive operations involving the use of water. Contractors, with some support and equipment provided by AMT, would carry out standard mining procedures of drilling, blasting,

crushing, and ore handling for shipping. The material will be shipped off site for processing, possibly at one of AMT's U.S. operations. AMT has been in discussions with various contract mining firms, as well as shipping/freight companies.

This component of AMT's project plans in the near term is seen as beneficial to the Company's overall goals, which include developing a working relationship with Yukon regulatory agencies, develop and strengthen ties with the Nacho Nyak Dun First Nation, accommodate on-site information acquisition, and develop a relationship with Yukon service and supply companies.

2. Existing Mill Site Assessment and Clean Up:

The existing Elsa Mill complex will not be refurbished and utilized by AMT. However, AMT will engage the services of milling/engineering experts to assess the existing Elsa Mill complex to determine which material/equipment in the mill can be salvaged. AMT has been told that when the mill was constructed in the late 1940's, some equipment, such as the 450 tpd ball mill, was shipped to Elsa form a burned down mill in British Columbia, having been manufactured in England in the late 1800's. It is unlikely that servicing or repair of this equipment is feasible, owing to the difficulty to obtain parts. Dismantling of the mill and disposal of non-salvageable material will also take place.

As the site that is currently occupied by the mill facility represents the largest level site with good road access on the property, the millsite will be completely cleaned and prepared for future mill and site operations.

3. Management of the Valley Tailings Facility:

Proper management of the Valley Tailings Facility ("VTF") is a critical issue for AMT, which will impact the overall operational costs and economic performance of the mine for the immediate and the longer term, and through to eventual closure. Our current understanding of the issue has been gained from literature review of public documents (reports prepared by UKHM in 1996 in support of their water licence application), review of internal reports prepared by UKHM, discussions with officials from local regulatory agencies, site employees, local mining consultants, three on-site visits and limited analytical testing conducted in the past few months.

Our experience in dealing with tailings facilities at operations in the United States indicates that not only do they represent a potentially considerable environmental liability and ongoing cost, but that they can also contain economically recoverable metals. AMT's approach at the Elsa site, as at other sites we have operated successfully, is to apply modern, economically feasible gravity-based recovery technology (through use of the Eagle Concentrator developed by AMT) to recover a saleable metal product that will allow profits to be made, while mitigating environmental impacts associated with the tailings.

It is our understanding that UKHM deposited tailings in a haphazard fashion over several decades, and only near the end of mining operations in the late 1980's began to understand the potential for an economic reserve of silver and other metals in the tailings. It is a matter of public record that the ore processed by the Elsa mill was generally very high grade, and the recoveries are known to have been poor. The unconsolidated nature of the tailings material makes this material an attractive candidate for economically feasible processing, as mentioned above.

The environmental impact of the tailings appears to be largely related to the excess meteoric water inflow to the VTF. One approach to dealing with this problem by UKHM was to construct a diversion of Porcupine Creek away from the facility, and into Flat Creek. This diversion ditch is operating in a substandard fashion, a fact which was recognized in the EARP Screening, and in Water Licence QZ96-001. It is our understanding that requirements in that Water Licence to conduct engineering studies on this Diversion Ditch were never carried out. As a result, no one has a clear understanding of what needs to be done to correct the water balance issue in the VTF. We understand that recent work carried out by DIAND has been limited to raising the three dams, so that they could impound more water for lime treatment prior to discharge. Possible eventual decommissioning and reclamation measures for the VTF include the establishment of a vegetative cover over the dried tailings. AMT will undertake, or commence, the necessary studies so that a plan can be presented to the regulatory agencies, as part of its' Water Licence application.

Therefore, the near term plan of AMT to undertake further studies and test work to assess both the economic potential of the VTF, as well as to develop the best approach to environmental remediation.

4. Tailings Sampling Program:

In order to assess the economic potential of the VTF, a systematic sampling program will be undertaken on the tailings project. Test pits will be excavated, and samples collected, using locally available small (Caterpillar 225-class) excavator. From within these pits, samples (a few hundred kilograms) will be collected and shipped to the United States for processing, and flowsheet evaluation. AMT has in-house equipment and expertise to undertake this assessment. As well as sampling, the tailings profile will be mapped within the pits. Once the samples and documentation of the pits is complete, the pits will be backfilled. Recent studies on the tailings, which AMT have had the chance to review, indicate that it is feasible to reach the depth of the tailings with a Caterpillar 225-class excavator.

5. Wetland Treatment Analysis

Extensive work on wetland treatment has been carried out on the Elsa Properties. AMT is aware of the work carried out in 1996 at the Elsa Properties by Dr. Andre Sobolewski of Microbial Technologies Inc. of Vancouver (under contract to UKHM and Access Mining Consultants Ltd.), in which a passive system for treatment of discharges from the Galkeno 900 Adit was designed. AMT is also aware that Microbial Technologies Inc. has carried out additional work on other North American mining properties since their initial work done in 1996, and has therefore refined its understanding of optimal design parameters for wetlands and vat-bioleaching techniques. AMT is familiar with bioremediation and wetland treatments at numerous mining properties in the States. AMT will retain experts to review the existing literature on this topic, as well to review the work carried out by Microbial Technologies. From this review, AMT will provide an updated proposal as to the use of wetland treatment at the UKHM property as an integral component of its Water Licence application.

5.2 LONG TERM

Longer term plans for AMT includes:

1. Bellekeno Underground Development and Production
2. Silver King Mine
3. Open Pit Development
4. Determination of Ore Processing Site
5. Reprocessing of Valley Tailings

Based upon the information available in the Watts, Griffis and McQuat report, and other documents reviewed, AMT has determined that the Bellekeno and the Silver King Mines will be the area of focus of further development. At present, the Silver King Mine needs to be dewatered, at which time a more detailed review of the mine can be undertaken. Both areas require a production adit, which can support trackless mining. AMT team of experts will review the mining reserves, mining methods, and exploration potential to determine the best methods of development and production, as well as additional areas on the Elsa Properties where open pit mining is feasible. The engineering team will also determine the optimum location of the ore processing site, as well as the appropriate process flowsheet for the plant. The reprocessing of the Valley Tailings will depend upon results of the tailings sampling program during the near term phase of the project.

5.3 FIRST NATION INVOLVEMENT

The project lies within the Traditional Territories of the Nacho Nyak Dun First Nation ("NNDFN"), and it is understood that they have had little, if any, meaningful participation in the mine over the past several decades. When the Elsa Properties purchase project was first considered, AMT began planning to bring the NNDFN into the project. AMT's intent is to develop and expand the reserves while training personnel to eventually allow NNDFN to purchase and take over the operation. At this point, however, it is understood that it is the intention of NNDFN to reconsider this possibility at a later date.

AMT has met with NNDFN representatives to initiate preliminary discussions with respect to the project, and will step up efforts to involve First Nations in the project (outside of ownership, as per the wishes of NNDFN as discussed above) once the Court-ordered sale and purchase arrangement is completed.

6.0 CONCLUSION

AMT is interested in pursuing what it believes to be a profitable venture in the Yukon, complementing its experience elsewhere and its corporate goals and objectives. The Court imposed sale provides the opportunity for an attractive purchase cost, which, in our belief, is the only way in which these properties will ever resume production. AMT is aware of the dismal economic situation in the Yukon, and expects its employment, purchasing and other economic impact to be welcomed. Owing to the nearly complete lack of environmental cleanup over several decades, however, the environmental issues will require some research, and skillful application of accepted techniques and technology, along with a spirit of cooperation from the regulatory authorities.

As AMT has stated in recent correspondence to the Minister of DIAND, we acknowledge that DIAND has the legal requirement to enforce legislation, and we are not asking to be absolved of responsibility. However, the Company will not have a Water Use Licence for this mine site until we complete the due process required to secure one. We cannot be held to terms and conditions of UKHM's licence in the interim, as this licence has not been assigned to our company, and we do not expect it to be assigned in the immediate future. Once AMT have concluded the purchase transaction, we will immediately begin the process of securing a water licence.

There are several key issues that remain to be resolved:

- At present, the existing UKHM licence has not been assigned to our Company, and AMT does not expect to be held to terms and conditions of the licence in the interim.
- AMT does not plan to treat the water from the Silver King Mine, as this water does not flow directly into surface waters. By the time it may reach surface waters indirectly, it is believed that it will no longer be considered a waste under the meaning of the Yukon Waters Act and regulations.
- AMT plans to allow the Bellekeno Mine to flood, a process that we understand will take several months to complete before any water is discharged from the adit.
- AMT is only interested in acquiring properties that represent a potential for economic return. It is our understanding that the old Galkeno 900 and Galkeno 300 Mines represent the potential for significant environmental liability and ongoing cost, without the prospect of any economic return.

- Water balance issue in the Valley Tailings Facility.

AMT has requested that it be allowed to enter into ownership of the property, occupy the site, undertake new operations subject to terms and conditions of all pertinent legislation and regulations, and proceed towards appropriately licensed, full scale mining operations. AMT does not intend to follow the water treatment procedures currently being undertaken by DIAND.

AMT believes that its request is reasonable, is supported by established departmental policy and experience, and is well within the bounds of DIAND's legislative mandate. AMT is in the process of seeking Departmental assurance that reasonableness, fairness, and a spirit of cooperation to guide its approach to our company and its efforts to restart the Elsa Mines.

Respectfully submitted,

August 1, 2001
AMT Canada Inc.

H.P. Cash, President

7.0 REFERENCES

Access Mining Consultants Ltd., United Keno Hill Mines Limited, June 3, 1996. *United Keno Hill Mines Limited, Site Characterization, Report No. UKH/96/01*

Access Mining Consultants Ltd., United Keno Hill Mines Limited, June 6, 1996. *United Keno Hill Mines Limited, Closure Plan for Current Conditions, Report No. UKH/96/02*

Access Mining Consultants Ltd., United Keno Hill Mines Limited, August 15, 1996. *United Keno Hill Mines Limited, Mine Reopening – Operating Plan, Report No. UKH/96/03*

Access Mining Consultants Ltd., May 30, 2001. *Interim Report – Elsa Mine Water Treatment Program*

Summary of Proceedings for April 20, 2001 Chamber Brief regarding Mackenzie Petroleum Ltd. (Petitioner) vs UKHM and UKHM Minerals (Respondents), prepared by Preston Lackowicz & Shier (Solicitors for UKHM Creditors Committee)

United Keno Hill Mines Water Board Files in the public registry at the Yukon Territory Water Board

Water Licence 96-001, Issued January 26, 1998 by the Yukon Territory Water Board to United Keno Hill Mines Limited

Watts, Griffis and McQuat, January 7, 2000. *Overview of the United Keno Hill Mines Ltd., Elsa Properties*

Advanced Mineral Technology Canada, Inc.

Project Description
Elsa Properties Project

Appendix 1
Letter of Recommendation
from DIAND Mining Inspector